

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

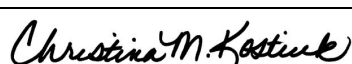
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 	Printed Name		License Number	

Grosse Pointe Public Library

Financial Report

June 30, 2007

Grosse Pointe Public Library

Contents

Report Letter	I
Library Management's Discussion and Analysis	2-5
Basic Financial Statements	
Individual Funds Balance Sheet/Statement of Net Assets	6-7
Individual Funds Statement of Revenue, Expenditures, and Changes in Fund Balances/Statement of Activities	8-9
Budgetary Comparison Statement - General Fund	10-11
Notes to Financial Statements	12-22



Plante & Moran, PLLC
Suite 300
19176 Hall Road
Clinton Township, MI 48038
Tel: 586.416.4900
Fax: 586.416.4901
plantemoran.com

Independent Auditor's Report

To the Board of Trustees
Grosse Pointe Public Library

We have audited the accompanying financial statements of Grosse Pointe Public Library, including the Library's individual governmental funds, the Library as a whole, and the budgetary comparison statement, as of and for the year ended June 30, 2007. We did not audit the financial statements of the Grosse Pointe Library Foundation, the discretely presented component unit, which statements reflect total assets of \$1,347,646 as of December 31, 2006 and total revenues of \$418,678 for the year then ended. Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Grosse Pointe Library Foundation, is based solely on the report of the other auditor. Collectively, these statements comprise the Library's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of Grosse Pointe Public Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based upon our audit and that of another auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position and changes in financial position of Grosse Pointe Public Library, including the Library's individual governmental funds, the Library as a whole, the budgetary comparison statement, and the discretely presented component unit, as of and for the year ended June 30, 2007, in conformity with accounting principles generally accepted in the United States of America.

The library management's discussion and analysis identified in the table of contents is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

August 15, 2007

Grosse Pointe Public Library

Library Management's Discussion and Analysis

Using this Annual Financial Report

This annual report consists of two parts:

- Library management's discussion and analysis (MD&A)
- Basic financial statements, audited by Plante & Moran, PLLC

The MD&A is intended to serve as an overview analysis of the financial condition and operating results of the Library.

Please direct questions regarding this report to:

Vickey Bloom, Library Director
Grosse Pointe Public Library
10 Kercheval Avenue
Grosse Pointe Farms, MI 48236
(313) 343-2074

Grosse Pointe Public Library

Library Management's Discussion and Analysis (Continued)

The basic financial statements on pages 6 through 11 include information that presents two different views of the Library using the modified-accrual and full-accrual methods.

The first five columns of the individual funds balance sheet/statement of net assets and the individual funds statement of revenue, expenditures, and changes in fund balances/statement of activities include information about the Library's General Fund, Capital Projects Fund, 2003 Park Capital Projects Fund, 2004 Woods Capital Projects Fund, and Debt Service Fund under the modified-accrual method. The modified-accrual basis focuses on current financial resources and provides a more detailed view about the accountability of the Library's sources and uses of funds.

The adjustment column of the financial statements represents adjustments necessary to convert the modified-accrual financial statements to the Library as a whole financial statements under the full-accrual method. The full-accrual basis focuses on long-term economic resources.

The Library as a whole column provides both long-term and short-term information about the Library's overall financial status. The Library as a whole statement of net assets - full-accrual basis column and the Library as a whole statement of activities - full-accrual basis column provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These columns tell how these services were financed in the short term, as well as what remains for future spending.

The last column represents the Grosse Pointe Library Foundation, a discretely presented component unit of the Library.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Grosse Pointe Public Library

Library Management's Discussion and Analysis (Continued)

Condensed Financial Information

The table below shows key financial information under the full-accrual method in a condensed format. Note: Amounts and totals reported are for all Library activities (including general operations, capital projects, and debt activity) to give a complete picture.

TABLE 1

	June 30	
	2007	2006
Assets		
Current assets	\$ 9,707,221	\$ 9,456,758
Capital and other long-term assets	19,842,951	20,107,317
Total assets	29,550,172	29,564,075
Liabilities		
Other liabilities	226,801	326,547
Long-term liabilities	17,944,142	18,262,091
Total liabilities	18,170,943	18,588,638
Net Assets		
Investment in capital assets - Net of related debt	2,531,006	2,777,400
Restricted for capital projects	354,468	296,078
Unrestricted	8,493,755	7,901,959
Total net assets	<u>\$ 11,379,229</u>	<u>\$ 10,975,437</u>

	Year Ended June 30	
	2007	2006
Revenue		
Property taxes	\$ 4,726,342	\$ 4,422,764
Other	772,626	704,370
Total revenue	5,498,968	5,127,134
Expenses	5,095,176	4,630,390
Change in Net Assets	<u>\$ 403,792</u>	<u>\$ 496,744</u>

The Library as a Whole

The Library's net assets increased by \$403,792 this year. The Library's primary source of revenue (approximately 86 percent) is from property taxes, which fund both the General Fund and the Capital Projects Fund.

Grosse Pointe Public Library

Library Management's Discussion and Analysis (Continued)

Salaries and fringe benefits continue to be the largest expense for the Library, which equates to approximately 43 percent of the Library's total expenditures. Health insurance is offered through a cafeteria plan to full-time employees and part-time employees who work 20 or more hours per week. The Library's expenditures increased over the prior year due primarily to increased purchases of materials (including books and audio/visual items) and supplies. In the prior year, the supplies and materials were purchased with bond proceeds for the new Parks and Woods branches.

The Library's Funds

The budgetary analysis of the General Fund is included on pages 10 and 11, which shows the General Fund, the Library's major operating fund, including revenues and expenditures, excess of revenue over expenditures, and fund balance.

As noted above, the largest use of resources during the 2006-2007 fiscal year was for personnel - salaries and wages. This is typical of service organizations that are open to the public seven days a week, year round.

Library's Budgetary Highlights

Over the course of the year, the Library board of trustees amended the General Fund's budget to address unplanned needs and events that occurred during the year.

Significant variances in the General Fund's revenues were due to increases in interest rates.

Capital Assets and Long-term Debt Activity

At the end of the fiscal year, the Library had \$19,666,951 invested in land, building, improvements, furniture and equipment, books, and materials, including media, based on the historical cost and estimated historical cost basis. During the year, a total of \$685,085 was spent to replace furniture and equipment, including computer technology and books.

The Library's long-term debt activity consists of capped accumulated compensated employee absences (sick and vacation leave) to be paid to eligible employees upon retirement.

Grosse Pointe Public Library

	Individual Library Funds				
	General Fund	Capital Projects Fund	2003 Park Capital Projects Fund	2004 Woods Capital Projects Fund	Debt Service Fund
Assets					
Cash and investments (Note 4)	\$ 2,923,707	\$ 5,549,396	\$ 413,798	\$ 750,320	\$ -
Due from General Fund	-	265,930	-	-	-
Receivables:					
Contributions	-	-	-	-	-
Fines - Wayne County	70,000	-	-	-	-
Prepaid costs and other (Note 5)	-	-	-	-	-
Capital assets (Note 6):					
Nondepreciable capital assets	-	-	-	-	-
Depreciable capital assets	-	-	-	-	-
Total assets	\$ 2,993,707	\$ 5,815,326	\$ 413,798	\$ 750,320	\$ -
Liabilities					
Accounts payable	\$ -	\$ -	\$ 45,595	\$ -	\$ -
Accrued and other liabilities	13,238	-	-	-	-
Due to Capital Projects Fund	265,930	-	-	-	-
Long-term liabilities (Note 7):					
Due within one year	-	-	-	-	-
Due beyond one year	-	-	-	-	-
Total liabilities	279,168	-	45,595	-	-
Fund Balances - Unreserved					
Designated:					
Capital projects	-	5,815,326	368,203	750,320	-
Development programs	100,266	-	-	-	-
Undesignated	2,614,273	-	-	-	-
Total fund balances	2,714,539	5,815,326	368,203	750,320	-
Total liabilities and fund balances	\$ 2,993,707	\$ 5,815,326	\$ 413,798	\$ 750,320	\$ -
Net Assets					
Invested in capital assets - Net of related debt					
Restricted for capital projects					
Restricted - Other					
Unrestricted					
Total net assets					

Individual Funds Balance Sheet/Statement of Net Assets
June 30, 2007

Total - Modified- accrual Basis	GASB No. 34 Adjustments (Note 2)	Library as a Whole	
		Statement of Net Assets - Full-accrual Basis	Component Unit
\$ 9,637,221	\$ -	\$ 9,637,221	\$ 1,323,638
265,930	(265,930)	-	-
-	-	-	7,349
70,000	-	70,000	-
-	176,000	176,000	12,210
-	597,530	597,530	-
-	19,069,421	19,069,421	4,449
\$ 9,973,151	19,577,021	29,550,172	1,347,646
\$ 45,595	-	45,595	201
13,238	167,968	181,206	-
265,930	(265,930)	-	-
-	400,000	400,000	-
-	17,544,142	17,544,142	-
324,763	17,846,180	18,170,943	201
6,933,849	(6,933,849)	-	-
100,266	(100,266)	-	-
2,614,273	(2,614,273)	-	-
9,648,388	(9,648,388)	-	-
\$ 9,973,151			
	2,531,006	2,531,006	4,449
	354,468	354,468	-
	-	-	32,954
	8,493,755	8,493,755	1,310,042
	\$ 11,379,229	\$ 11,379,229	\$ 1,347,445

Grosse Pointe Public Library

	Individual Library Funds				
	General Fund	Capital Projects Fund	2003 Park Capital Projects Fund	2004 Woods Capital Projects Fund	Debt Service
Revenue					
Property taxes	\$ 3,761,545	\$ 964,797	\$ -	\$ -	\$ -
State sources	110,377	-	-	-	-
Interest	107,910	269,248	16,258	42,132	-
Gifts	1,630	-	-	-	-
Development	76,594	-	-	-	-
Fines, rentals, and other	151,226	-	-	-	-
Total revenue	4,209,282	1,234,045	16,258	42,132	-
Expenditures					
Salaries	1,649,484	-	-	-	-
Employee benefits	569,467	-	-	-	-
Purchased services	643,251	-	45,595	21,904	-
Supplies	837,650	-	-	-	-
Capital outlay	10,633	23,564	63,784	40,985	-
Development programs	61,554	-	-	-	-
Depreciation	-	-	-	-	-
Other	1,620	-	60,890	56,870	-
Debt service - Principal and interest	-	-	-	-	1,066,075
Total expenditures	3,773,659	23,564	170,269	119,759	1,066,075
Excess of Revenue Over (Under) Expenditures	435,623	1,210,481	(154,011)	(77,627)	(1,066,075)
Other Financing Sources (Uses)					
Operating transfers in	-	-	-	-	1,066,075
Operating transfers out	-	(1,066,075)	-	-	-
Loss on sale of assets	-	-	-	-	-
Total other financing sources (uses)	-	(1,066,075)	-	-	1,066,075
Net Changes in Fund Balances/Net Assets	435,623	144,406	(154,011)	(77,627)	-
Fund Balances/Net Assets - Beginning of year	2,278,916	5,670,920	522,214	827,947	-
Fund Balances/Net Assets - End of year	<u>\$ 2,714,539</u>	<u>\$ 5,815,326</u>	<u>\$ 368,203</u>	<u>\$ 750,320</u>	<u>\$ -</u>

**Individual Funds Statement of Revenue, Expenditures, and Changes
in Fund Balances/Statement of Activities
Year Ended June 30, 2007**

Library as a Whole

Total - Modified- accrual Basis		GASB No. 34 Adjustments (Note 2)	Statement of Activities - Full-accrual Basis		Component Unit
\$	4,726,342	\$ -	\$	4,726,342	\$ -
	110,377	-		110,377	-
	435,548	-		435,548	48,147
	1,630	-		1,630	-
	76,594	-		76,594	-
	151,226	(2,749)		148,477	370,531
	5,501,717	(2,749)		5,498,968	418,678
	1,649,484	(17,949)		1,631,535	96,608
	569,467	-		569,467	2,692
	710,750	8,000		718,750	11,524
	837,650	(560,678)		276,972	39,008
	138,966	(124,407)		14,559	-
	61,554	-		61,554	24,649
	-	938,460		938,460	869
	119,380	-		119,380	18,995
	1,066,075	(301,818)		764,257	-
	5,153,326	(58,392)		5,094,934	194,345
	348,391	55,643		404,034	224,333
	1,066,075	(1,066,075)		-	-
	(1,066,075)	1,066,075		-	(78,990)
	-	(242)		(242)	-
	-	(242)		(242)	(78,990)
	348,391	55,401		403,792	145,343
	9,299,997	1,675,440		10,975,437	1,202,102
\$	9,648,388	\$ 1,730,841	\$	11,379,229	\$ 1,347,445

Grosse Pointe Public Library

Budgetary Comparison Statement - General Fund Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended Budget
Revenue				
Property taxes	\$ 3,760,180	\$ 3,760,180	\$ 3,761,545	\$ 1,365
County and state aid	71,000	71,000	110,377	39,377
Interest	34,000	34,000	107,910	73,910
Gifts	-	-	1,630	1,630
Development	74,700	74,700	76,594	1,894
Fines and rentals	100,000	100,000	138,177	38,177
Other	-	-	13,049	13,049
Total revenue	4,039,880	4,039,880	4,209,282	169,402
Expenditures				
Salaries:				
Administration	259,000	259,000	249,620	9,380
Board of trustees	3,780	3,780	1,920	1,860
Librarians	677,325	666,465	638,902	27,563
Support staff	520,000	509,000	452,257	56,743
Temporary librarian	76,600	76,600	68,757	7,843
Temporary clerical	116,000	137,860	133,760	4,100
Students	128,726	117,726	104,268	13,458
Total salaries	1,781,431	1,770,431	1,649,484	120,947
Employee benefits:				
Employee benefits	358,000	331,000	289,069	41,931
Retirement	147,000	143,761	131,113	12,648
Payroll taxes	135,000	138,239	138,238	1
Workers' compensation	14,700	14,700	11,047	3,653
Unemployment compensation	3,000	3,000	-	3,000
Total employee benefits	657,700	630,700	569,467	61,233
Purchased services:				
Professional/Management fees	71,050	66,238	61,433	4,805
Legal fees	35,000	24,708	16,988	7,720
Audit fees	9,200	9,200	9,200	-
Library network	4,750	4,750	4,216	534
Staff development	14,000	11,649	8,075	3,574
Program fees	87,450	87,450	58,677	28,773
Telephone	36,000	42,822	42,822	-
Printing	36,000	24,529	24,461	68
Utilities	142,000	178,812	178,811	1
General liability insurance	27,500	27,500	26,709	791
Repairs and maintenance	70,552	70,552	69,567	985
Contracted services	122,000	142,292	142,292	-
Total purchased services	655,502	690,502	643,251	47,251

Grosse Pointe Public Library

Budgetary Comparison Statement - General Fund (Continued) Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended Budget
Expenditures (Continued)				
Supplies:				
Audiovisual	\$ 163,653	\$ 163,188	\$ 139,183	\$ 24,005
Micro software	134,000	134,465	134,464	1
Library books	437,539	437,539	421,494	16,045
Periodicals	61,000	61,000	43,897	17,103
Auto expense	3,000	3,000	2,745	255
Building supplies	16,852	16,852	11,876	4,976
Administrative supplies	69,953	69,953	67,173	2,780
Postage	18,600	18,600	15,263	3,337
Memberships	1,850	1,850	1,555	295
Total supplies	906,447	906,447	837,650	68,797
Capital outlay:				
New furniture and equipment	6,100	6,100	5,310	790
Replacement furniture	6,000	6,000	5,323	677
Total capital outlay	12,100	12,100	10,633	1,467
Development programs:				
Books on the Lake	35,000	35,000	24,475	10,525
Senior symposium	15,000	15,000	5,803	9,197
Development books	20,000	20,000	7,240	12,760
Development tools	1,500	1,500	432	1,068
Strategic planning	25,000	25,000	23,604	1,396
Total development programs	96,500	96,500	61,554	34,946
Other expenses - Tax refunds	2,000	3,000	1,620	1,380
Total expenditures	4,111,680	4,109,680	3,773,659	336,021
Excess of Revenue Over (Under) Expenditures	(71,800)	(69,800)	435,623	505,423
Fund Balance - July 1, 2006	2,278,916	2,278,916	2,278,916	-
Fund Balance - June 30, 2007	\$ 2,207,116	\$ 2,209,116	\$ 2,714,539	\$ 505,423

Grosse Pointe Public Library

Notes to Financial Statements June 30, 2007

Note I - Summary of Significant Accounting Policies

Grosse Pointe Public Library (the "Library") serves the Grosse Pointe communities and a portion of Harper Woods. The accounting policies of Grosse Pointe Public Library conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Library:

Reporting Entity

The Library is governed by a seven-member board of trustees and managed by a library director. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Based on the significance of any operational or financial relationships with the Library, there are no component units to be included in the Library's financial report.

Discretely Presented Component Unit - The following nonmajor component unit is reported within the component unit column in the government-wide financial statements to emphasize that it is legally separate from the Library. Financial statements for the individual component unit are available at the Library's office.

The board of trustees of the Library established a private foundation, the Grosse Pointe Library Foundation (the "Foundation"), to serve as a fund-raising and communication arm on behalf of Grosse Pointe Public Library. The Foundation is a privately held 501(c)(3) with its own 11-member board of directors. The Foundation solicits and administers funds for capital, endowment, and special projects. The Foundation's governing body consists of seven individuals. During the year, the Foundation conducted various activities on behalf of the Library, including fund-raising and donor relations. There are three common board members between the Library and the Foundation.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Library's basic financial statements include both the Library as a whole and its individual fund financial statements.

Note I - Summary of Significant Accounting Policies (Continued)

Library as a Whole Financial Statements

The Library as a whole financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting, which is described below.

Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net assets are reported in three parts: invested in capital assets - net of related debt, restricted net assets, and unrestricted net assets.

The statement of activities includes depreciation on long-term assets and eliminates capital outlay expense.

As a general rule, the effect of interfund activity has been eliminated from the library-wide financial statements.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in the library-wide statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

Fund Financial Statements

The Library's individual fund financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting, which is described below.

Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities in the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences and claims and judgments are recorded only when payment is due.

Grosse Pointe Public Library

Notes to Financial Statements June 30, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the fiscal period. All other revenue items are considered to be available only when cash is received by the Library.

The Library reports the following governmental funds:

General Fund - The General Fund is the Library's primary operating fund. It accounts for all financial resources of the Library, except those required to be accounted for in another fund.

Capital Projects Fund - The Capital Projects Fund was established during the fiscal year ended June 30, 1998 through a residual equity transfer from the General Fund. It is used to record the disbursement of monies specifically designated for acquiring new technology and equipment and for major remodeling and repairs. The fund will be retained until the purpose for which the fund was created has been accomplished.

2003 Park Capital Projects Fund - The 2003 Park Capital Projects Fund was established during the fiscal year ended June 30, 2004 through the issuance of general obligation bonds. It is used to record the disbursement of monies specifically designated for acquiring property, constructing, and all related costs associated with the Grosse Pointe Public Library - Carolyn and Ted Ewald Branch.

2004 Woods Capital Projects Fund - The 2004 Woods Capital Projects Fund was established during the fiscal year ended June 30, 2005 through the issuance of general obligation bonds. It is used to record the disbursement of monies specifically designated for acquiring property, constructing, and all related costs associated with the Grosse Pointe Public Library - Woods Branch.

Debt Service Fund - The Debt Service Fund was established to make principal and interest payments on Grosse Pointe Public Library's debt.

Assets, Liabilities, and Net Assets or Equity

Cash and Investments - The Library considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Investments are recorded at fair value as of June 30, 2007 based on quoted market prices.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds."

Note 1 - Summary of Significant Accounting Policies (Continued)

Property Taxes - Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The 2006 taxable valuation of the Library totaled approximately \$3.1 billion, on which ad valorem taxes levied consisted of 1.5413 mills for the Library's operating purposes. The ad valorem taxes levied raised approximately \$4.8 million and are recognized in the General Fund and Capital Projects Fund financial statements as tax revenue.

Capital Assets - Capital assets are defined by the Library as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, furniture and equipment, library books, periodicals, and videos are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	7-50 years
Furniture and equipment	5-20 years
Library books and audiovisual materials	5-10 years

Compensated Absences (Vacation and Sick Leave) - Through contractual obligations, employees are permitted to accumulate earned but unused sick and vacation pay benefits subject to certain limitations. All vacation and sick pay is accrued when incurred in the library-wide financial statements. A liability for these amounts is reported in governmental funds only for eligible employee terminations as of year end.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Grosse Pointe Public Library

Notes to Financial Statements June 30, 2007

Note 2 - Reconciliation of the Library as a Whole and the Individual Funds Financial Statements

Total fund balances and the net change in fund balances of the Library's individual funds differ from net assets and changes in net assets of the Library as a whole reported in the statement of net assets and the statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and the statement of activities versus the current focus of the individual governmental funds' balance sheet and the statements of revenue, expenditures, and change in fund balances. The following is a reconciliation of fund balances to net assets and the net changes in fund balances to the net change in net assets.

Total Fund Balance - Modified-accrual Basis	\$ 9,648,388
Amounts reported in the statement of net assets are different because:	
Capital assets are not financial resources and are not reported in the funds	19,666,951
Other long-term assets are not financial resources and are not reported in the funds	176,000
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Bonds payable	(17,900,000)
Compensated absences	(44,142)
Interest payments on long-term liabilities are not due and payable in the current period and are not reported in the funds	(167,968)
Total Net Assets - Full-accrual Basis	<u>\$ 11,379,229</u>

Grosse Pointe Public Library

Notes to Financial Statements June 30, 2007

Note 2 - Reconciliation of the Library as a Whole and the Individual Funds Financial Statements (Continued)

Net Change in Fund Balances - Modified-accrual Basis	\$	348,391
---	-----------	----------------

Amounts reported in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Library books and audiovisual materials	560,678
Capitalized capital outlay, net of disposals	124,407
Depreciation	(938,460)

In the statement of activities, only the gain/loss on the sale of an asset is reported, whereas in the governmental funds, the proceeds from the sale are reported. Therefore, the change in net assets differs from the change in fund balance by the proceeds from the asset sold	(2,991)
---	---------

Governmental funds report long-term prepaid expenses as expenditures in the statement of activities; these costs are allocated over their estimated useful lives as amortization	(8,000)
--	---------

Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt)	300,000
--	---------

Decrease in accrued interest reported as an expenditure in the statement of activities but not in the fund statements	1,818
---	-------

Decrease in the accrual for long-term compensated absences reported as an expenditure in the statement of activities but not in the fund financial statements	<u>17,949</u>
---	---------------

Change in Net Assets - Full-accrual Basis	\$	<u>403,792</u>
--	-----------	-----------------------

Grosse Pointe Public Library

Notes to Financial Statements June 30, 2007

Note 3 - Budget Information

The annual budget is prepared and adopted by the Library board and subsequent amendments are approved by the Library board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2007 has not been calculated. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America, except that operating transfers have been budgeted as revenue and expenditures rather than as other financing sources and uses. During the current year, the budget was amended in a legally permissible manner.

The budget has been adopted on a line-item basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund budget can be found in the basic financial statements.

Note 4 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. A local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Library does not have any specified financial institutions for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all items of the state statutory authority as listed above. The Library's deposits and investment policies are in accordance with statutory authority.

Grosse Pointe Public Library

Notes to Financial Statements June 30, 2007

Note 4 - Deposits and Investments (Continued)

The Library's cash and investments are subject to several types of risk, which are examined in more detail below.

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. The Library does not have a deposit policy for custodial credit risk. At year end, the Library had approximately \$3,285,000 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Library believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Library evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Library has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Bank investment pool	\$ 6,272,908	Not rated	-

Note 5 - Prepaid Costs

The Library has an operating lease with the City of Grosse Pointe Park for the use of parking spaces through March 15, 2030. The Library prepaid the lease payments for the term of the lease, which amounts to \$200,000 in the prior fiscal year. The payments were recorded as an expenditure on a fund-level basis in the General Fund in the year paid. A long-term asset, amortized over the life of the lease, has been recorded on the government-wide basis.

Grosse Pointe Public Library

Notes to Financial Statements June 30, 2007

Note 6 - Capital Assets

Capital asset activity of the Library was as follows:

	Balance July 1, 2006	Additions	Disposals and Adjustments	Balance June 30, 2007
Capital assets not being depreciated -				
Land	\$ 597,530	\$ -	\$ -	\$ 597,530
Capital assets being depreciated:				
Buildings and improvements	16,150,656	-	-	16,150,656
Library books	2,931,030	421,494	-	3,352,524
Audiovisual material	1,349,363	139,184	-	1,488,547
Furniture and equipment	2,663,620	124,407	(80,517)	2,707,510
Subtotal	23,094,669	685,085	(80,517)	23,699,237
Less accumulated depreciation	(3,768,882)	(938,460)	77,526	(4,629,816)
Net capital assets being depreciated	19,325,787	(253,375)	(2,991)	19,069,421
Net capital assets	<u>\$ 19,923,317</u>	<u>\$ (253,375)</u>	<u>\$ (2,991)</u>	<u>\$ 19,666,951</u>

Capital assets, including library books and audiovisual materials, are recorded at cost. Depreciation expense was \$938,460 for the year ended June 30, 2007.

Note 7 - Long-term Debt

Outstanding Debt

A summary of the debt outstanding of the Library at June 30, 2007 is as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
General obligation bonds:							
2003 building and site							
Amount of issue - \$9,900,000	2.50%-	\$200,000-	\$ 9,700,000	\$ -	\$ 200,000	\$ 9,500,000	\$ 200,000
Maturing through 2028	4.5%	\$700,000					
2004 building and site							
Amount of issue - \$8,580,000	3.25%-	\$200,000-	8,500,000	-	100,000	8,400,000	200,000
Maturing through 2029	4.75%	\$700,000					
Other long-term liabilities -							
Compensated absences	-	-	62,091	-	17,949	44,142	-
Total general obligation bonds and other long-term liabilities			<u>\$ 18,262,091</u>	<u>\$ -</u>	<u>\$ 317,949</u>	<u>\$ 17,944,142</u>	<u>\$ 400,000</u>

Grosse Pointe Public Library

Notes to Financial Statements June 30, 2007

Note 7 - Long-term Debt (Continued)

The compensated absences represent the estimated liability to be paid employees under the Library's vacation and sick pay policy. Under the Library's policy, employees earn time based on time of service with the Library.

Debt Service Requirements

The annual requirements to service all debt outstanding as of June 30, 2007 (excluding employee benefits), including both principal and interest, are as follows:

Years Ending June 30	Principal	Interest	Total
2008	\$ 400,000	\$ 756,700	\$ 1,156,700
2009	500,000	744,200	1,244,200
2010	500,000	727,700	1,227,700
2011	500,000	710,200	1,210,200
2012	500,000	692,450	1,192,450
2013-2017	3,500,000	3,106,000	6,606,000
2018-2022	4,500,000	2,311,625	6,811,625
2023-2027	5,500,000	1,236,950	6,736,950
2028-2029	2,000,000	126,500	2,126,500
Total	<u>\$ 17,900,000</u>	<u>\$ 10,412,325</u>	<u>\$ 28,312,325</u>

Note 8 - Risk Management

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library has purchased commercial insurance for health, disability, life, workers' compensation, and general liability. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past fiscal years.

Note 9 - Pension Plan

Plan Description - Certain Library employees participate in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan. The system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at P.O. Box 30171, Lansing, MI 48909-7671.

Note 9 - Pension Plan (Continued)

Funding Policy - Employer contributions to the system result from the implementing effects of the School Finance Reform Act. Under these procedures, each participating entity is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 16.34 percent for the period from July 1, 2006 through September 30, 2006 and 17.74 percent of the covered payroll to the plan for the period from October 1, 2006 through June 30, 2007. Basic plan members make no contributions, but contribute to a Member Investment Plan (MIP) at rates ranging from 3 percent to 4.3 percent of gross wages. The Library's contributions to the MPSERS plan for the years ended June 30, 2007, 2006, and 2005 were \$69,795, \$80,904, and \$70,880, respectively.

Postemployment Benefits - Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverages. Required contributions for postemployment health care benefits are included as part of the Library's total contribution to the MPSERS plan discussed above.

The Library's 2007 contributions represented less than 1 percent of the total employer contributions.

Note 10 - Defined Contribution Pension Plan

The Library provides pension benefits to all of its union employees and nonunion full-time or part-time (20 hours or more) administrative employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Through contractual obligations, the Library will provide a dollar-for-dollar match of employee contributions (by payroll deduction) up to a maximum payment by the board of 8 percent of base salary of the employee. In accordance with these requirements, the Library contributed \$61,318 and the employees contributed \$122,963 in 2007.



Plante & Moran, PLLC

Suite 300

19176 Hall Road

Clinton Township, MI 48038

Tel: 586.416.4900

Fax: 586.416.4901

plantemoran.com

August 15, 2007

Members of the Board of Trustees
Grosse Pointe Public Library
10 Kercheval
Grosse Pointe Farms, MI 48236

Dear Members of the Board:

We have recently completed our audit of the Grosse Pointe Public Library's (the "Library") financial statements for the year ended June 30, 2007. As a result of our procedures and observations, we offer the following comments for your consideration as the policy-making body of the Library.

New Auditing Standards

The American Institute of Certified Public Accountants issued several new Statements on Auditing Standards (SAS) during 2006 that will be effective for the Library's 2008 audit. These new standards (SAS 104 through 111) are collectively referred to as the "Risk Assessment" audit standards because they will substantially affect the auditing process by enhancing the auditor's application of audit risk assessment. The new standards require auditors to perform the following:

- Obtain a more in-depth understanding of the Library and its internal control environment to identify the risks of material misstatement in the financial statements and what the Library is doing to mitigate them
- Perform a more rigorous assessment of the risks of material misstatement of the financial statements based on that understanding
- Improve the linkage between the assessed risks and the nature, timing, and extent of audit procedures performed in response to those risks

While Plante & Moran, PLLC has historically used a risk-based audit approach with audit programs that are tailored to each client, the new standards will require some revision to our approach and documentation. We are currently in the process of updating our audit programs and processes to comply with the new standards. We will continue to keep you apprised of the practical implications these changes will have on your accounting department in their preparation for our audit next year.

Internal Control Matters

Beginning with this year's audit, national auditing standards now call for auditors to communicate matters to the governing body that may be useful to you in your oversight of the Library's financial management. Specifically, they require us to report internal control issues to you that may be relatively minor, in order to allow you to evaluate their significance and make any changes you may deem appropriate. The purpose of these new standards is to allow you an opportunity to discuss issues when they are relatively minor, rather than waiting until they potentially become more serious problems. We hope this new report on internal control will be helpful to you, and we look forward to being able to discuss any questions you may have concerning these issues.

In planning and performing our audit of the financial statements of the Grosse Pointe Public Library as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Library's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be a significant deficiency and a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness:

Accrual Adjustments - During the audit, we generally provide significant assistance in identifying and proposing accrual adjustments to the accounting records. Accruals represent any adjustments other than cash that impact the accounting records (capital assets (including the recording of additions, depreciation expense, and disposals), long-term debt, employee compensated absences, etc.). We are pleased to assist in this process since our auditors have expertise in accrual adjustments and can generally assist in an effective manner. However, we bring this to your attention since it meets the above definition of a matter to be communicated to those charged with governance.

Recording of Accounts Payable - It is our understanding that checks issued subsequent to year-end that relate to services or goods provided before year-end are back dated to June 30. While the expense associated with these transactions is recorded in the proper period, this causes current assets (cash) and current liabilities (accounts payable) to be understated. In addition, we noted an invoice that related to the current fiscal year that was expensed in the subsequent period. The proper recording of accounts payable will assist the Library in its budgeting process and ensure its compliance with all statutory requirements. We would be happy to assist the Library in developing a procedure to properly record all accounts payable transactions.

We consider the following deficiency to be a significant deficiency in internal control:

Recording of Interest Earned on Investments - During our audit, we noted that the Library did not record additional interest revenue associated with certain certificates of deposit that were not yet matured at year-end. The proper recording of interest revenue will assist the Library in its budgeting process. We recommend that the Library periodically update investment balances to fair value for interest earned.

This communication is intended solely for the information and use of management, the board of trustees, and others within the Library and is not intended to be and should not be used by anyone other than these specified parties.

We thank the board for the opportunity to serve as the Library's auditors. We also express our appreciation to Ms. Bloom, Ms. Meakem, and the entire administration for the courtesy and cooperation extended to us during the course of the engagement. If there are any questions about your financial report or the above comments and recommendations, we are happy to discuss them at your convenience.

Very truly yours,

PLANTE & MORAN, PLLC



Christina M. Kostiuk



Thomas J. Clement